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ABSTRACT

There was a notable transition in the nature, content, and administration of rural policies in many developed nations in the 1980s and 1990s. These changes concerned issues of governance and institutional framework, the definition of "development," and policy goals and content. A key question, however, concerns the extent to which shifts in the language or rhetoric of rural policy are matched by reality. This paper assesses rural policy changes and their rationale in relation to rural trends at the beginning of the new century. It draws heavily on recent experience in the European Union, especially implementation of Agenda 2000, and also reviews rural policy changes in the United States, Canada, and UK countries. In all these countries, rural policies of a territorial nature now comprise many of these elements: efforts to reinforce rural economies; attempts to restructure agriculture; strengthening of transportation and telecommunications infrastructure; improved business assistance; development of human resources through vocational training, entrepreneurship education, and school-to-work initiatives; local "capacity building"; creation of products based on local identity; new or adapted financial instruments; and new ways of providing public services in rural areas. Trends in institutional arrangements for delivery of rural policy include decentralization, support for bottom-up development, better policy coordination, and regional and local partnerships. Challenges for rural policy and the ways that developed countries are meeting these challenges are discussed. (SV)

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PAPER PRESENTATIONS
Is There A 'New Rural Policy' In OECD Countries?

John M Bryden, Scotland

Abstract

This paper has benefited from work undertaken on OECD member country policies for the OECD in 1999, from work for the Rural Affairs Committee at Scottish Office on a new rural strategy from 1997-99, from a review of the 1999 Irish White Paper on Rural Development, and from an assessment of the implementation of the EU rural policies for two conferences in Finland during March 2000. This work identified a notable transition in the nature, content, and administration of rural policies in many OECD countries during the 1980s and 1990s. These changes concerned issues of governance and institutional frameworks; issues of the definition of 'development'; and issues of policy goals and content. A key question, however, concerns the extent to which shifts in the language or rhetoric of rural policy are matched by reality. It is therefore important not to exaggerate the shifts which have taken place. It is also important to understand the reasons for the changes, and in this way whether to consider them as temporary or likely to persist. In this paper Bryden assesses the policy changes and their rationale in relation to rural trends at the beginning of the new Century and identifies some outstanding questions. He draws in part on recent experience in the EU countries, especially the experience of implementing Agenda 2000. He also reviews rural policy changes in selected OECD countries.

There seemed to be a notable transition in the nature, content, and administration of rural policies in many OECD countries during the 1980s and 1990s. The specific changes observed concern, in particular:

- a shift from sectoral to territorial policy involving attempts to integrate the various sectoral policies at regional and local levels, and define over-arching policy goals, particularly of 'sustainable rural development';
- the decentralisation of policy administration and, within limits, policy design to those levels;
- an increased use of partnerships between public, private and voluntary sectors in the development and implementation of local and regional policies;
- the introduction of mechanisms to ensure better co-ordination of different policies affecting rural areas and people at central government levels;
- the evolution of new, more flexible mechanisms for supporting regional and local policies;
- the encouragement of a 'bottom-up' approach to rural development;
- the evolution of means to transfer experience and learning from decentralised initiatives, with central levels playing a role in organising and encouraging exchanges and information networks;
- greater emphasis on diversification of rural economies with a particular stress on direct and indirect support for small and medium sized enterprises and local initiatives which build on existing resources and skills and stimulate networking between enterprises;
- a focus on local specificities which may provide new competitive advantages, such as amenities of an environmental or cultural nature;
- more attention to transport and communication infrastructure and to education and training as quasi public goods which can support enterprise indirectly; and
- more generally a shift from an approach based on subsidising declining sectors including agriculture, fishing and mining, to one based on strategic investments to develop new activities.

The changes thus concern issues of governance and institutional frameworks; issues of the definition of 'development'; and issues of policy goals and content. A key question, however, concerns the extent to which shifts in the language or rhetoric of rural policy are matched by the reality. It is therefore important not to exaggerate the shifts which have taken place. It is also important to understand the reasons for the changes, and in this way whether to consider them as temporary or likely to persist.

In many countries, sectoral policies and centralised sectoral administration of them remain very important, and many of these retain the character of subsidies to maintain existing activity rather than investment to adapt to, and take advantage of, new conditions. In some cases, policies in some countries appear to have reverted to a more sectoral character in the later 1990s. Moreover, although apparently increased concern about rural society may give the impression that resources for 'rural development' have been increasing, it is not clear that this is the case when looked at in 'real' terms. However, the above summary represents a common understanding of the general trends, and there are some reasons for believing that they are likely to persist.

In this paper I assess the policy changes and their rationale in relation to rural trends at the beginning of the new Century and try to identify some outstanding questions. I will draw in part on recent experience in the EU countries,

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especially the experience of implementing Agenda 2000. However, I will also review rural policy changes in selected OECD countries.

Rationale for an integrated territorial approach to rural policy

The rationale for a territorial approach to rural policy is expressed in various ways of which the following are most common:

- the interests of the majority of rural citizens, and even most farm families, are no longer (if they ever were) best served by sectoral policies, since they increasingly depend on employment and income generated by a complex mix of interacting economic activities, themselves often based on actual or perceived quality of life considerations linked to environment, culture and life styles;
- rural areas face a period of intensified social and economic change as a result of globalisation and related restrictions on public sector spending, and need help to adjust to new conditions;
- rural areas are diverse in their history, culture, natural conditions, peripherality, sparsity of population, settlement patterns, economic structure, human and other resources, environment, and other characteristics which enable them to cope with change and develop new bases for economic and social life;
- part of this diversity concerns the position of indigenous peoples and minority groups, such as the native peoples of N America and N Europe, and the Gaels of Scotland and Ireland, whose rights have been increasingly recognised, and for whom special policies are developed; many but not all rural areas still suffer from relatively low incomes, high unemployment and underemployment, poor quality of employment, outward migration of young people, and low quality services which raises issues of equity and social cohesion;
- rural areas can often contribute to the quality of life of society as a whole because they contain important public or quasi public goods such as a clean environment, attractive landscapes and cultural heritage; relatively socially integrated and 'safe' communities, and it is difficult or impossible to capture the relevant values through the market[1];
- rural areas produce basic food ingredients and many other raw materials essential for life;
- the development of rural areas is an essential part of efforts to promote economic and social cohesion within and between countries (for example within the EU).
- agriculture will be increasingly confronted with new challenges not only to become more competitive, but also to meet demands relating to health, quality, environmental credentials and animal welfare as well as other consumer requirements;
- farm families must be able to rely on a 'living countryside' where they can access the services, infrastructure, and supplementary employment they need;
- the acceptance of an over-riding policy goal of sustainable (rural) development in economic, social and environmental terms means that people are the objects rather than the subjects of development which in turn means both that they should be actively involved, that the scope of development should be holistic, and that the scale should be 'local' both to enable human engagement and to reflect diversity of people's goals and circumstances.

In some cases at least, these arguments are about market failures - the best known examples being those concerning public and quasi-public goods, of which the natural and cultural heritage are most usually cited. But they may also be couched in terms of imperfect knowledge or information, restrictions on access to natural and other resources and other 'market imperfections', as well as in terms of social goals of equity, political goals of cohesion, or holistic goals of sustainability.

The territorial approach leads to a further issue: at what level of governance should rural development policy be addressed? Within the EU this resolves itself into the question of whether or in what respects rural policy is an EU matter, a national matter, a regional or local matter. Similar questions can however be raised within federal and unitary States. For example, the issue has been crucial in the constitutional debates in Canada, including those concerning the First Nations Agreements.

I now want to look at the EU case in some detail, particularly addressing the issue of the development of rural as opposed to agricultural policy, and the extent to which the policy rhetoric is matched by reality in rural policy delivery.

The development of EU rural policy, rhetoric and reality

Taking the case of the EU, the shift to a more territorial, integrated and devolved approach started in earnest after the 'southern enlargement', the mini-CAP reforms and the Single European Act of the mid-1980's. These, together with the growing problems associated with the Uruguay Round of multi-national trade talks, led first to a major

[1] Because relevant markets do not exist and are difficult or impossible to create and because the 'utilities' involved cannot only be considered and measured in economic terms.

reform of the EU Structural Funds and Structural and Cohesion policies in 1987, and a radical reform of the CAP in 1992. In 1988, an EC non-paper, The Future of Rural Areas, outlined a new vision and approach to rural development which presented a territorial approach to rural policy. In 1991, the EU launched the LEADER programme designed to support local rural partnerships with 'bottom up', integrated rural development programmes in the priority Objective 1 and 5b regions defined in the reform of Structural and Cohesion Policies. One of the key principles of the operation of the structural funds in priority regions was concerned the role of regional partnerships in putting together regional programmes and in their implementation. Unlike CAP market policy, wholly financed by EAGGF Guarantee Section, the Regional Programmes and LEADER were co-financed by the Member States. This recognised that structural and cohesion policy was and had to be a joint venture between the European Commission and the regions and nations of the EU, in effect a 'shared competence'. EU supported regional programmes, and LEADER, were also conceived as 'integrated development' efforts to the extent that they were funded by the three main EU Structural Funds covering regional development (the ERDF), human resources (ESF), and agricultural structures and related developments (EAGGF-Guidance).

The CAP reform of 1992 introduced further measures of a structural character which were also to be co-financed by the Member States, namely the Accompanying Measures - Agri-Environment, Farmer retirement, and Agri-Forestry. These measures were, however, to be financed by the Guarantee Section of EAGGF traditionally reserved for market policy.

Whilst the driving forces behind reform of structural and cohesion policies were mainly internal[2], those leading to CAP reforms were both internal and external. External pressures particularly referred to the link between subsidies, increasing production, surpluses and subsidised exports competing with food exports from traditional exporters, especially the USA, Canada, Australia, New Zealand and S America. EU agreement to reduce such subsidies was central to a successful conclusion to the Uruguay Round. In the event, the agreement which was reached in 1994 (the 'URA') accepted the CAP reforms, with de-coupled compensatory payments to farmers being placed in what is called a 'blue box' currently excluded from the subsidy reduction measures, but with some questions about their future exclusion. The Accompanying Measures and other EAGGF structural and rural development measures were in the so called 'green box' of subsidies, considered to be unrelated to production, and hence also excluded from agreements on subsidy reduction.

The URA set the timing for the next round of trade talks to start at the end of 1999, and committed participants to further reduction in levels of protection and related subsidies, especially concerning subsidies directly linked with production which in the EU case are a large part of the CAP market policy. The presumption was that further cuts in support prices for agriculture would ensue. The further CAP reforms in Agenda 2000 therefore moved further in this direction, thus partially pre-empting the Trade negotiations. However, an additional factor behind these reforms was the prospect of 'eastern enlargement' of the EU to include perhaps ten Central and Eastern European Countries early in the new Century. Here the concern of the existing, and significantly richer, member States was that the burden of financing the existing CAP when applied to the new member States would be unsupportable, and fall mainly on them. These two critical factors led to the elevation of 'rural development' to become what the Commission calls the 'second pillar of the CAP', and to a significantly higher profile for rural development policy. The rationale is, first that 'rural development' measures are in the 'green box' of subsidies, and therefore most defensible in the Trade Talks, and second that they are co-financed by member states, and hence least likely to be implemented in a major way by poorer countries, especially the CEECs. Within the CAP, the proportion of expenditure which is co-financed by member States has in fact been increasing since the 1980's. In other types of development expenditure, and especially the ERDF and ESF, co-financing with national and regional partners is the norm. Since the proportion of the community budget taken by the ERDF and ESF has also been increasing since the 1980's, we can easily see that the overall proportion of the EC budget which is devoted to measures wholly financed by the Commission has been falling. And we can see that this is a trend likely to continue. Within this scenario, we can equally see how 'rural development' is likely to take an increasing share of CAP expenditure in future, since it delivers to both internal and external pressures on the EU policies and finance.

What, then, is this 'second pillar', EU rural development policy? It is mainly linked to the new Rural Development Regulation, an outcome of Agenda 2000. It also referes however to the Objectives I and II of the Structural and Cohesion policy since Agenda 2000 and the LEADER+ programme which succeeds LEADER I and II.

The Rural Development Regulation

The Commissioner for Agriculture, Franz Fischler, has attached much importance to rural development: he

[2] these particularly concerned the combined effects of the single European market and free flows of goods, services, capital and labour within it and the southern enlargement to include the relatively poor and agrarian countries of Greece, Spain and Portugal

initiated the Rural Development Conference in Cork in Ireland in November 1996, which was intended to create greater priority for this purpose, but which in fact provoked adverse reactions both from farm organisations, which saw this as an attack on traditional agricultural policy, and from Mrs Wulf-Mathies, the then Commissioner for Regional and Cohesion Policy, who on the contrary objected to further special treatment for rural areas and to the effects of the proposals on the Cohesion objectives and related principles of concentration.

"Agenda 2000" suggested a compromise. It included a section which stressed the need for continued "rural policy instruments" in view of the further inevitable changes in the market situation, in market policy and in trade rules (i.e. WTO). Moreover, *"rural areas have increasingly important environmental and recreational functions to fulfil...Conversely, the increasing importance of environmental and recreational needs will also offer new development opportunities from which farmers and their families should be allowed to benefit"*. Agenda 2000 foresaw rural development' measures *"to accompany and complement market policies"* and which would embrace *"all types of measures supporting structural adjustment and rural development as presently co-financed by the EAGGF "Guidance" Section"* .

Although the new "Rural Fund" called for at Cork [CEC,1996] was conspicuously absent from Agenda 2000, the proposals for a new Rural Development Regulation were adopted at the Berlin Summit in 1999. The measures in this Regulation are to be funded by FEOGA Guarantee Section , traditionally the financial envelope for market policies, rather than the Guidance Section which was designed to finance measures of a structural nature. The only exception to this is Objective 1 regions, in which the RDR (other than the old accompanying measures and the less favoured areas measures) will be funded by the Guidance Section.

The RDR will apply to all areas of the EU, and consists almost entirely of a re-packaging of measures which were either funded under agricultural structures policy (Objective 5a), or agricultural measures in regional policies (Objective 5b) and the old Accompanying Measures introduced in the 1992 CAP Reforms (Agro-Environment, Farm Forestry, Farmer Retirement) i.e. including present Objective 5a measures). It is presented as a 'menu' of measures, of which only agro-environment is compulsory. Therefore, the following are the main elements:-

1. Investment in agricultural holdings (Ch I)
2. Setting up of Young Farmers (Ch II)
3. Training (Ch III)
4. Early retirement (Ch IV)
5. Less-favoured Areas and Areas with Environmental Restrictions (Ch V)
6. Agri-Environment (Ch VI)
7. Improving Marketing and Processing of Agricultural Products (Ch VII)
8. Forestry (Ch VIII)
9. Promotion the Adaptation and Development of Rural Areas (Ch IX)

This last concerns the Article 33 Measures, amongst which are the measures which can address the problems and clients beyond agriculture (marked in bold type). The menu is:-

- land improvement
- reparcelling
- setting up farm relief and farm management services
- marketing of quality agricultural products
- basic services for the rural economy and population
- village renewal and development and conservation of the rural heritage
- diversification of agricultural activities and activities close to agriculture to provide multiple activities or alternative incomes
- agricultural water resources management
- infrastructure linked to agriculture
- tourism and craft investment
- protection of environment in connection with land, forestry and landscape conservation and with the improvement of animal welfare
- restoration of agricultural production damaged by natural disasters and improvement of protection instruments
- financial engineering.

In Objective 1 regions the RDR measures funded by Guidance Section will be part of the Regional Programmes under the Structural Funds Regulations. In Objective 2 regions, all RDR measures other than the old accompanying measures and LFAs may also form part of the Regional Programmes. Elsewhere, rural development plans will be drawn up 'at the geographical level deemed most appropriate' and as far as possible be integrated into a single plan lasting 7 years

Rural developme. however, can hardly be defined just as an accompaniment to market policy[3]. The real motive in

[3] The tendency of the Commission and the Council to refer to rural development 'as an accompaniment to agricultural market policy is worrying in the sense that it omits the many other justifications and rationales for a rural development policy. This may however be tactically necessary in view of the 'rules' concerning uses of the Agricultural Fund (must be directly or indirectly linked to farming/the Treaty objectives]. Another worrying tendency is to treat agri-environmental policy as if it were the same thing as rural development policy! This is, for example, evident from the press release following the Council meeting ion 17,18,19 November 1997. Both are also linked

switching the financing of such measures appears to be budgetary[4].
The RDR has EUR 4.3 billion annually, compared with an average of 38 billion for market policy.

At present there is confusion in the Commission about the distinction between rural and regional development: the new horizontal rural development measure is not according to the Commission to be seen as regional policy. On the one hand this prompts fears that the client group for 'rural development' measures will remain confined to farmers, or the other it raises alarm bells about yet more separate and distinct programmes of a spatial nature which are not integrated with regional spatial policies or planning policies.

Structural Policy: Objectives and Funds

Post Agenda 2000, the number of "Objectives" has been reduced from seven to three. The existing Funds are maintained. The population covered by the spatially designated funds has been reduced from 51% to 43% of the EU total. ***The new "Objective I"*** [5] is essentially the same as at present with the addition of the former Objective 6. The Regional Fund, Social Fund and FEOGA "Guidance" would continue to support integrated programmes, as now. ***The new "Objective II"*** includes both urban areas in difficulty and declining rural areas: it thus replaces the current Objectives 2 and 5b[6]. Objective 1, 5b and 2 areas no longer meeting the criteria have transitional programmes. The population covered by rural Objective II areas is significantly less than in the previous Objective 5b areas. ***The new "Objective III" is*** "horizontal" for regions not covered by Objectives I or II, and aims at the *"development of human resources"*. Although in principle Objective III could have been combined with any FEOGA funded Rural Development Measure outside Objective I and II regions, in practice it will not be.

Objective II Rural Programmes should favour economic diversification, with increased support for small and medium-sized enterprises and innovation, and with greater emphasis on vocational training, local development potential, protection of the environment, etc. *"The development of rural areas should build better links between the countryside and local towns: this should facilitate the diversification of industrial, craft, cultural and service activities"*.

LEADER+ , which remains based on general LEADER principles of innovation, bottom up partnership and integration, will have just over EUR 2 billion, compared with 1.7 billion ECUs in the last planning period 1994-99. However, all rural areas in the EU are now eligible, and so the available funds will be spread more thinly on the ground unless the member States and the EU succeed in the latter's goal of reducing the number of LEADER groups.

The Implementation of the RDR

In practice, it is clear that most of the EU funding for the RDR will be absorbed by existing measures, in particular the accompanying measures which now include the LFA measures. In most countries, the enthusiasm for Article 33 measures going beyond the farming clients is limited, because of opposition from farmers lobbies, budget constraints, and the role of Ministries of Agriculture. An analysis of the draft programmes of France, Denmark, Finland and Scotland shows the importance of national level programmes for the main spending elements, especially the Accompanying Measures (which are not new) and Farm Investment. The measures which relate to the wider rural economy, few though they are, are all within Article 33, but these are receiving a very low priority, with less than 10% of the overall budget in all cases examined. If this turns out to be the general case, then it means that less than 1% of CAP spending will be devoted to non-agricultural aspects of rural development within the RDR – hardly a 'second pillar'!. Whilst the idea of a menu of measures has clearly allowed some countries to decide which measures to implement and where to spend the resources, this has happened very largely at national rather than regional level, and the priorities remain firmly fixed on the farming sector.

The Commission's Agenda 2000 proposals for rural development were already a retreat from those of the Cork Declaration. On the one hand this made it appear that it had largely 'ditched' rural policy for the time being, under pressure from the agricultural lobbies on the one side and

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to the EU stance on the 'European Model of Agriculture' in the Millennium Round.

[4] The changes have the effect of shifting some expenditure from the "Structures" heading in the "financial perspectives" to the CAP heading, where it is expected that there will be some leeway within the "guideline". Fischler may see this as a way to avoid cuts in the guideline and thus of holding on to a larger CAP budget. However, several member States (e.g. UK) are looking for savings in the CAP budget in the medium term, and it cannot be assumed that any eventual savings in market support and direct income payments will be automatically transferred into accompanying measures.

[5] Objective 1 is for those regions with less than 75% of the average EU GDP per capita. Objective 6 was for the sparely populated arctic regions of Sweden and Finland. Objective I thus contains many rural regions and areas, although not confined to these.

[6] Objective 5b was for rural areas in decline; Objective 2 was for declining industrial regions.

internal disagreements between DG6 and DG16. On the other hand, it placed rural development firmly in the agricultural sector policy as part of the strategy on multifunctional agriculture for the forthcoming World Trade talks and also for limiting the impacts of enlargement on the CAP budget.

The end result seems to be a set of provisions for rural regions which seem quite inadequate in relation to the challenge of EU enlargement. Spatial policy, implemented through the Structural Funds and aimed at the critical objective of social and economic cohesion, remains inadequate to deal with existing let alone post-enlargement and post-EMU regional inequalities. Agricultural policy remains largely unreconstructed, and unlikely to satisfy the needs of the Millennium Round of Trade talks. Although the Commission has argued that 'Rural development is not just an annexe to the CAP, but must be a strong, effective and coherent instrument accompanying and supplementing agricultural market policy' it is clear that there will, for the most part, be no integrated rural development policy other than LEADER +, and that those elements of what it calls its rural policy which actually go beyond the agricultural sector will indeed be marginal as compared with spending on the agricultural sector itself whether through Markets Policy or through the RDR. In my view, the most 'integrated' policy for regions which are both poor and mainly rural will be in the Objective 1 regions, largely in southern Europe; for the rest, at least at EC level, a truly integrated rural policy seems some way off. I have presented the EU situation in some detail because I believe that it illustrates the tendency for policy rhetoric to be somewhat ahead of the reality. Nevertheless, it is also possible to point to new National rural development policies both within and beyond the EU and identify some interesting changes.

Trends in rural policy in OECD countries

Drawing on the work of the OECD during the 1990's, and analysis of new rural policies in a number of member countries, we can identify changes in the content and institutional structures of such policies.

Policy content

Rural policies of a territorial nature now frequently comprise some or all of the following elements:

- efforts to reinforce rural economies, principally through diversification of economic activities, mainly using indirect aid for transport and communications infrastructure, promoting networks of knowledge and expertise, supporting education and training, and increasing the attractiveness of areas for new enterprises;
- attempts to restructure agriculture through intensification, modernisation and increasing value added in productive regions, extensification and development of multifunctional agriculture in less productive regions, and internal diversification and quality products in areas of 'traditional' agriculture;
- strengthening transport and communications infrastructure including telecommunications infrastructure;
- enhancing business assistance especially efforts to diffuse new technologies through R&D and the development of specialised regional institutes or centres, enhancing business services, establishing inter-regional and international business networks and encouraging endogenous innovative initiatives;
- developing human resources through vocational training, improving entrepreneurial skills, and school-to-work initiatives;
- 'capacity building' at local levels;
- developing and commercialising natural and cultural 'amenities' through direct exploitation of the relevant resources for recreation, tourism etc., and indirectly through creation of conditions likely to favour economic development;
- creation of local products based on local identity and aiming at a market niche, usually linked to local natural and cultural 'capital', and including development of quality labels and guarantees linking products to places, particular production techniques, etc.;
- new or adapted financial instruments, which may include fiscal equalisation schemes which seek to transfer budgetary resources from richer to poorer states and regions, subsidies and transfer payments to particular social or occupational groups or industries (farmers, fishermen, the unemployed, the sick, the poor, the elderly, etc.), indirect subsidies for 'universal services' provided throughout nation states at more or less uniform tariffs and/or levels (post offices, public transport, telecommunications, health, education, water supply etc.) and various forms of development assistance both for public investment in infrastructure and various public and quasi-public goods, and for private investments and community initiatives. The latter can include grants, loans, equity investment, interest-rate subsidies, tax relief, guarantees, usually on a selective basis;
- new ways of providing public services in rural areas, sometimes combined in service centres[7] and, as in the case of telemedicine and distance learning sometimes using information and communications technologies;

[7] The Australian Federal Government is spending up to $70 million over 5 years to establish 'transaction centres' in small rural towns providing general services and basic business services.

- the increasing use of programme evaluation procedures both as a control and a learning mechanism.

In terms of policy content, Freshwater points out that rural areas have a higher proportion of subsidy type policies than investment type policies than is the case in urban regions[8]. This distinction, also made by Saraceno[9] in the European context, becomes critical in the new context of globalisation and efforts to promote more sustainable rural development and more effective rural policies.

The institutional framework

A wide variety of institutional arrangements for the delivery of rural policy has been noted in OECD countries, but some common features are:-

- decentralisation towards regions and localities, sometimes involving efforts at community 'empowerment', in order to better meet diverse needs and conditions found in rural areas and tap local knowledge and other resources;
- support for 'bottom-up' development initiatives, for example through the Canadian Community Futures Programme and the EU LEADER programme;
- attempts at better co-ordination of policies affecting rural areas at central levels through inter-departmental and inter-ministerial working groups or committees, sometimes paralleled by rural affairs committees in national parliaments, and possibly involving various forms of 'policy-proofing' to ensure that all policies consider the rural dimension;
- greater co-ordination and co-operation at regional and local levels usually through partnerships involving the different public departments and agencies as well as private and voluntary sector interests.

In the USA there is a long history of federal assistance programs for rural areas, and attempts to secure better integration and co-ordination between them. Recently, as a result of a General Accounting Office report, efforts have been made to provide a strategic vision for such programs, to make them more accessible and adaptable to local needs and priorities, and to bring responsibility and authority for such programs closer together. This last has focused on federal-state partnerships in the form of the state rural development councils which include federal and state officials, local government officials, tribal representatives, financial and business leaders and a range of other partners unique to each states.

Although both Deavers (OECD, 1996) and Freshwater have argued that these policy shifts are not irreversible[10] [11], and the outcome of the EU Agenda 2000 is discouraging, there are signs that the policy trends noted are in some cases being strengthened yet again. There is an expanded Community Futures Programme under the Regional Development Agencies in **Canada**, as well as a new Pilot Projects Initiative working at community level to explore innovative approaches to rural community development. In the **USA**, the proposed Performance Partnership suggested an integrated rural initiative consolidating funds for 14 major programs, and allowing re-allocation of funds among programs at State level to better meet their priorities. In the **EU**, the idea of a 'menu' of policies under the new Rural Development Regulation in principle allows member States and regions to pick and choose measures appropriate to their circumstances and allocate funds accordingly. There is also evidence of a 'mainstreaming' of the LEADER programme through the adoption of similar national programmes for 'bottom up' rural development in Spain, Finland, Ireland and Scotland for example. In **Canada**, a Rural Dialogue was undertaken in 1998 in recognition of the need for a 'bottom up' approach. This had responses from nearly 7,000 rural Canadians about their concerns and how they wanted the federal government to respond. From that has come a policy document *The Federal Framework for Action in Rural Canada* which deals not only with the major action areas highlighted by rural people, but also sets out guiding principles about how the government works with rural people. Under the Canadian Rural Partnership (CRP) there is a Cabinet agreement to subject new policies and programmes to 'policy proofing' through a rural lens. There is also agreement to provide an annual report to Parliament on the progress of the CRP. In **Ireland** a greater role is being given to the local authorities, and County Development Boards which will be partnerships. There will also be support for local area-based initiatives which promote community empowerment, participation in

[8] Freshwater, D 'Farm production Policy versus Rural Life Policy. Staff Paper 371. Department of Agricultural Economics, University of Kentucky, College of Agriculture, Lexington 40546. June 1997.

[9] Saraceno, E 'Recent Trends in Rural development and their Conceptualisation'. Journal of Rural Studies, Vol.10, No.4. pp 321-330 , 1994.

[10] Deavers argues that agricultural lobbies continue to seek to have rural development policy incorporated in agricultural policy, rather than having agricultural policy subsumed within an integrated territorial policy.

[11] Freshwater argues that whereas farmers interests retained strong political power through unity and cohesion in rent-seeking behaviour, rural interests outside agriculture remained diverse and fragmented. Moreover, the policies affecting those other interests are, more often than not, dominated by urban interests (for example, monetary and fiscal policy, health, education and social welfare policies, environmental and infrastructure policies) in the formation of which rural interests usually have little say.

decision-making and control over resources. A 'lead department' has been designated and renamed as the Department of Agriculture, Food and Rural Development (DAFARD). In addition, a Cabinet Sub-Committee is being formed under the Chairmanship of An Taoiseach and comprising Ministers having a significant remit in relation to policy responsibilities impinging on rural development, and with the aim of policy co-ordination at the highest level. This will be supported by an Inter-departmental Policy Committee chaired by DAFARD and comprising senior officials of relevant Departments. A National Rural Development Forum (NRDF) comprising representatives of Government Departments, State agencies, Regional Assemblies, Regional Authorities, Local Authorities, social partners, local development bodies and the wider voluntary and community sector (IWP, 23-24). In addition, administrative procedures for the 'rural proofing' of policies are to be introduced in all Departments. The new devolved Government in **Scotland** has introduced a Rural Affairs Committee in the Parliament, which contrasts with the Agriculture Committee in the Westminster Parliament. At **UK** level, there is a new Performance and Innovation Unit in the Cabinet Office which has a project on rural economies, and a new Rural White Paper is under preparation. A group of rural Labour MP's have recently conducted a Rural Audit, covering all aspects of rural life, and stressing the need for an integrated, local and regional approach to rural policy. In addition, the working through of the practical implications of an overarching goal of sustainable urban and rural development has led to potentially closer collaboration between rural and environmental interests at practical and political levels.

Targeting of priority areas for central action and funding can also be observed in some cases. In the **USA**, a demonstration program of empowerment zones and enterprise communities was launched in the mid 1990's for some of the poorest rural communities which needed leadership and institutional 'capacity building'. Community capacity building and leadership are also a major priority in Canada.

An important trend has been the apparently growing power of the supra-national level on the one hand, and the regional level on the other, as compared with the national level. This is not just a matter of changes in the distribution of administrative functions between levels, but also political and institutional changes, such as the extension of EU powers, the creation of a Committee of Regions at EU level, Scottish devolution, and the creation of regional governance structures where none existed before in several OECD countries. Moreover, there are new institutional structures of local development emerging in some countries which cut across traditional administrative, geographical, and sectoral boundaries, examples being the Regional Nature Parks in France, LEADER local action groups, and Local Agenda 21 activities.

Review of policy frameworks and content

Rural development is thus not only a territorial and non-sectoral concept, but rural policies are increasingly organised at territorial levels and cover a number of sectors, and the relationships between them, rather than a single sector. They need to deal with diversity of social objectives and rural conditions, and be both locally rooted and participatory ('bottom-up' principles, linked to appropriate 'top down' structures of support and governance). This inevitably leads to the conclusion that rural development policies can be governed by rules and regulations within specific administrative boundaries, whether local, regional, or national, although these are inevitably influenced to a greater or lesser degree by supra-national policies such as those of the EU.

It has already been argued that development policy and practice must allow for diversity in the goals and objectives of development, must acknowledge that it should include social, cultural, environmental as well as economic dimensions, and should allow for democratic processes at all levels. The idea of local and regional partnerships is often a step forward, and the idea of including social and environmental groups (NGOs) in such partnerships within the EU is another sign of progress, but more needs to be said in future about democratic processes and participation of rural people. In some cases, partnerships have lacked open and transparent procedures and accountability to local populations. In other cases partnerships have proliferated along sectoral lines, leading to multiple partnerships in any one locality or region which frustrate or hamper the goals of 'integration', and, often, lead to 'partnership fatigue'. Some relevant questions for policy development are:-

- how can partnerships be made more open, accountable and democratic?
- how can the participation of citizens in public decision-making be improved, especially in very sparsely populated areas with scattered settlement patterns?
- should partnerships be re-organised on a territorial basis to serve the needs of planning for integrated rural development at local and regional levels and avoid proliferation of sectoral partnerships?
- should partnerships be mainly means of joint strategic planning, monitoring and assessment or should they be decision-making or implementing bodies as well?

It may be that there should be a strong(er) role for democratically elected local authorities in local and regional partnerships, and that a single local or regional partnership should deal with all social, economic and environmental aspects of territorial strategic planning for development. It may also be that in some sparsely populated areas, levels of local government are too remote

to permit easy access to services and decision-making processes by rural citizens. Central government financial support, negotiated on the basis of the territorial plan, could take the form of a global grant and rather than being subject to complex *ex ante* administrative rules and conditions, financial control could be in terms of *ex post* outputs and outcomes or results.

At the level of Central government, there often remains room for improvement in co-ordination of the various ministries and departments responsible for policies affecting rural development. Judging by recent developments some key elements seem to be:

- Policy 'proofing' by a senior inter-departmental or inter-ministerial group. This group sees policies affecting rural areas during their formative stages, is able to point out possible problems for rural areas and can propose amendments. For example, the group may look at policies for housing, transport, telecommunications, water and waste disposal, postal services, education and training, health, regional development, agriculture and environment, national parks, local government, and so on.
- This process is likely to be stimulated by the presence of a Rural Affairs Committee in the Parliament, with a territorial rather than a sectoral remit, since this will ensure senior civil servant participation in any inter-departmental or inter-ministerial group.
- Allocation of rural co-ordination responsibilities to one senior Ministry or department which must chair the inter-departmental or inter-ministerial group.

This partly refers to the continuing role for central Government in terms of macro-economic management, which will have rural implications, but it goes beyond that.

Another role for the State is in ensuring that there is a good flow of information about rural development activities and their results. In many cases this is undertaken through national or supra-national networks of local partnerships (as for example in the European LEADER Observatory) which exchange information, run training seminars, and provide documentation on 'good practice' etc. Such activities need to be supported by active research which can codify and validate results, and raise issues to be addressed.

The over-arching goals of rural policy need to be clearly expressed in terms of sustainable development, which is interpreted as encompassing economic, social, cultural and environmental dimensions. Policies and their impacts should then be assessed in these terms. A key policy issue is how to get greater positive inter-relationships ('synergy') between sectoral policies in the economic, social and environmental spheres. For example, how to ensure that training policies and activities link with policies for enterprise development, how enterprise development fits with infrastructure and environmental policies, how agro-environment policies fit with tourism, etc. Given the highly sectoral nature of policies and their implementation, this remains a huge challenge in most countries. On a more optimistic note, the rhetoric on rural policy issues has been improving and, here and there one can see signs of improvements in processes and methods of planning, monitoring and evaluation to incorporate more holistic or 'joined up' thinking.

Conclusions

What is rural development?

I have argued that rural development is increasingly viewed as a territorial concept involving increases in the welfare of rural citizens, including incomes, and quality of life. It is thus also an 'holistic' concept covering economic, social and environmental dimensions - often nowadays subsumed in the concept of 'sustainable rural development'. This represents a marked shift from concepts which focused mainly or wholly on economic growth, and on sectoral approaches such as those dealing with agriculture or industrial location. It has led to greater recognition of diversity in rural circumstances, needs, opportunities, and constraints; to greater emphasis on policy 'integration' and 'co-ordination'; and to a revision of the division of powers and responsibilities between central, regional and local levels.

What are the challenges for rural policy?

In these circumstances, there are several challenges for rural policy, namely:

- to articulate visions, over-arching goals and strategies for rural areas at both territorial and central levels;
- to define a rationale for policy intervention and hence priorities;
- to ensure that there is an appropriate and efficient division of powers and responsibilities over policy design and implementation which matches the diversity and complexity of rural areas, problems, needs etc;
- to ensure a 'joined up' or co-ordinated approach to rural policy at central levels, and an integrated approach to policy design and implementation at local levels;
- to ensure that local leadership and institutional capacities match new responsibilities and powers being devolved to local levels;
- to ensure the participation of citizens in territorial policy making;
- to ensure the appropriate balance between 'subsidies' and 'investment'.

How are OECD countries responding to these challenges?

Rural policy has seen significant developments in the past two decades, and several member countries have reviewed

their rural policies in recent years. Key elements have been:-

- efforts to build a new vision for rural areas around sustainable rural development involving diversified and more rewarding opportunities for enterprise and employment, ensuring a better quality of life for rural citizens, and a high quality of the natural and human environment;
- efforts to improve central co-ordination of a wide range of policies affecting rural citizens through institutional arrangements for inter-departmental and inter-ministerial co-ordination, including 'policy proofing' to ensure that all such policies contribute to the over-arching goals, and that actual or potential conflicts are minimised;
- attempts to create more flexible arrangements for central support of rural development such that the diverse and varying needs and circumstances of rural areas can be better met, for example through policy 'menus', devolved powers to prioritise measures and spending, and 'global' programme grants.
- attempts to redefine the rationale for policy intervention in a context of globalisation, world trade agreements, and fiscal constraints;
- efforts to create new institutional arrangements at local and regional levels to define policy objectives priorities and strategies, and implement policies and programs at these levels, as well as to involve both government and non-government actors in ways which not only integrate and co-ordinate activities, but also draw on local and regional knowledge and other resources and increase the participation of local people;
- efforts to build local capacities to act through leadership and community development programs and empowerment of local actors - i.e. a better matching of responsibilities and powers - often through rural innovation and pilot programs focusing on fragile rural areas;
- a new focus on trying to improve the 'competitiveness' of rural areas, and hence to understand the key elements which differentiate rural areas which appear to be 'performing' well from those which are not;
- attempts to divert resources from programs which focused on subsidies to existing rural activities in an effort to maintain these, to programs which focus on support for investment in human and social capital, diversification of economic activity and the related creation of new enterprises, key infrastructure, the environment, and innovation.

Nevertheless, the EU experience should caution us that rhetoric and good intentions are not always matched by reality.

What key questions remain which require new knowledge to support policy development at different levels?

The diversity of approaches taken in different countries, and the recency of many such changes, suggests that rural policy is in a period of transition in which there are many experiments being conducted. In so far a much rural data collection and research follows rather than precedes such changes, we can recognise a need for new research and data gathering which can serve the new policy agenda. This includes efforts to learn about *processes* like partnership-building, community involvement, empowerment, capacity-building, social entrepreneurship, networking, innovation, new enterprise formation, social exclusion and inclusion, and the practical application of concepts such as sustainable rural development, integrated development and policy-proofing. It also covers issues of governance, including the issues surrounding re-defining the role of the different levels of administration and the relationships between them, the relationship between partnerships and democratically elected representatives.

Given that rural areas exhibit radical differences in 'performance' as measured by indicators such as employment creation, enterprise formation and cessation, unemployment and underemployment, and quality of life, even in similar geographies, it is clear that better understanding of the reasons for these differences has become essential for the improvement of policy efforts at local and regional levels. Although tendencies such as 'globalisation' and the 'information and communications technology revolution' are sometimes presented as inexorable forces acting on people and places, it is evident that human agency, both individual and collective, plays the key role in determining economic and social responses and outcomes. It surely follows that we need more knowledge concerning individual and collective 'responses' of local actors, including individual and social entrepreneurs.

For a number of reasons, there appear to be increasing constraints on the ability of public budgets to provide comparable public services such as health and education in the predominantly rural regions using traditional methods. It is clearly vital that high quality public services are provided in such areas if populations are to be maintained or increased. New methods, such as the 'transactions centres' in smaller rural towns in Australia, and telemedicine and new forms of distance education and training in a number of countries, are being tried, and need to be assessed to assure rural people and rural providers that they offer comparable quality to that found elsewhere. The effort to 'integrate' sectoral policies at local levels is closely linked with holistic ideas of 'sustainable development' which include notions that synergy can exist between economic, social and environmental goals and activities. The usual examples cover the links between the quality of the natural and cultural heritage and the commercialisation of tourism, but they go wider than this.

It is important to document good cases where such synergy can be achieved and develop guidelines to good practice.

The devolution of rural policy to regional and local levels, and the plethora of local partnerships and community level initiatives is essential if policies are to meet diverse needs and circumstances, but presents the danger that 'the wheel will be re-invented'. The collation, validation and dissemination of information on initiatives and projects which result must therefore be a key role to be stimulated by the State, and one which can be increasingly facilitated by creative use of information and communications technologies.

I conclude that something exists which can be described as a 'new rural policy'. This addresses a broader range of development issues and sectors at local and regional levels in a more integrated way. It involves new forms of governance, marked by devolution, partnership and participation and new mechanisms of co-ordination at central levels. Although this new rural policy still has an experimental character, and lacks a good deal of supporting data, it seems set to be a growing area of policy activity in future. Nevertheless, at this stage it seems to be a relatively minor element when compared with agricultural policy, and many questions need to be addressed if it is to be more successful in future.